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United Nations Industrial Development Organization

Industrial Development Board

Eighth session
Vienna, 1-5 July 1991

Programme and Budget Committee

Seventh session
Vienna, 22-26 April 1991
Item 17 of the provisional agenda

COMPUTERIZATION PROGRAMME OF UNIDO

Report by the Director-General

Summary

Provides information on action taken in response to decision IDB.7/Dec.26 of the Industrial Development Board.

Introduction

1. At its seventh session, the Industrial Development Board adopted decision IDB.7/Dec.26 which called for a number of actions related to the acquisition of UNIDO's electronic data-processing system. To facilitate the deliberations of the Programme and Budget Committee on the subject, the present report summarizes the events that have taken place to date as a follow-up to Board decision IDB.7/Dec.26.

I. REPORT OF THE EXTERNAL AUDITOR

2. In paragraph (d) of IDB.7/Dec.26, the External Auditor was requested to examine in depth all aspects of the acquisition of the electronic data-processing (EDP) system, and to report, in terms of conformity with or departure from financial propriety, procedural responsibility and fiscal management to the Programme and Budget Committee at its seventh session.

3. The External Auditor entrusted this assignment to a team of four auditors who carried out the task during the months of December 1990 and January 1991.

4. At the request of the Chairman of the Programme and Budget Committee, Mr. R. Pabón García (Venezuela), the report of the External Auditor was made available to Permanent Missions to UNIDO immediately upon receipt on 4 February 1991. The report is before the Programme and Budget Committee under symbol PBC.7/3-IDB.8/3.

5. The comments of the Director-General on the report of the External Auditor, which were made available to Permanent Missions on 11 February 1991, are also before the Committee under symbol PBC.7/7-IDB.8/5.

II. COMPUTER CAPACITIES OF THE VIENNA-BASED ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

6. In accordance with paragraph (i) of decision IDB.7/Dec.26, the President of the Industrial Development Board, Mr. O. Lønsmann Poulsen (Denmark), and the Director-General of UNIDO, by letter of 20 November 1990, invited the Chairman of the Board of Governors and the Director-General of the International Atomic Energy Agency (IAEA), the Director-General of the United Nations Office at Vienna (UNOV) and the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), to examine the possibility of a joint management and/or use of the installed computer capacities of the Vienna-based organizations of the United Nations system so as to obtain maximum efficiency and economy. A meeting of all parties concerned took place on 18 January 1991. At that meeting the Directors-General of IAEA and UNIDO agreed that any marginal savings that might accrue would not justify the effort involved in operating a joint computer service. A summary of the positions expressed at the meeting will be available in conference room paper IDB.7/CRP.2.

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III. WORKING GROUP OF INDEPENDENT EXPERTS

7. In paragraph (e) of its decision IDB.7/Dec.26, the Board decided to establish urgently a working group of independent experts funded by Member States whose composition was to be decided upon in consultation between Member States with the following terms of reference: (a) to reassess UNIDO's needs regarding computerization from the technical point of view; (b) to examine the contractual aspects of the proceedings as well as the implications of the clauses within those contracts for UNIDO; (c) to study the financial options applicable to the EDP system; (d) in light of this evaluation, to make appropriate recommendations on an EDP system.

8. At the invitation of the President of the Board, eleven experts, financed by different Governments, met in Vienna from 11 to 14 February 1991. The report of the Working Group of Independent Experts was made available to Permanent Missions immediately upon receipt on 18 February. That report and subsequent additions to it are before the Committee under symbol PBC.7/8-IDB.8/6.

9. One of the main recommendations of the Independent Experts was "the immediate appointment of a two- or three-man team of independent consultants of unquestionable professional competence to analyse in detail UNIDO needs and establish an overall EDP development policy in line with the recommendations of the Group" (IDB.8/6-PBC.7/8, para. 8).

10. At the request of some Member States, a briefing on the contents of the report of the Working Group was held in Vienna on 12 and 14 March 1991. The Chairman of the Group and another expert participated in the briefing. On that occasion, draft terms of reference were prepared for the consultants referred to in paragraph 9 above. The Secretariat has initiated the necessary action for the contracting of such consultants.

IV. FINANCIAL ASPECTS

11. The Secretariat has complied with the provisions of paragraphs (g) and (h) of Board decision IDB.7/Dec.26 concerning EDP expenditures, contracts and obligations.

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Programme and Budget Committee

Resumed seventh session (continued)
Vienna, 23 August 1991
Item 10 of the agenda

PROGRAMME AND BUDGETS, 1992-1993

Computerization programme of UNIDO

Progress report by the Director-General

Introduction

1. The present document is presented in response to Industrial Development Board decision IDB.8/Dec.35 paragraph (i) which requested the Director-General to report to the resumed eighth session of the Board on progress made in respect of the computerization programme of UNIDO.

I. MEETING OF THE PROJECT LIAISON COMMITTEE

2. In compliance with paragraphs (f), (g) and (h) of Board decision IDB.8/Dec.35, the Project Liaison Committee (PLC) met on 31 July 1991. The outcome of the meeting, as can be seen from annex I to the present document, was the recommendation by the Project Liaison Committee that the Secretariat adopt the programme in option 1 (PBC.7/CRP.13, section 3.1.1) proposed by the consultants, which was found by the PLC to be "technically sound and the most suitable and cost-effective programme for computerization at UNIDO that can be recommended at this time" (see annex I).

3. As indicated in the reply of the independent experts to the tasks of the PLC contained in annex II to the present document, although they themselves had not been involved, and had elected not to be involved, in the negotiations with the main supplier or other vendors, the experts recognized that good results had already been obtained in those negotiations. Negotiations with the main supplier were completed concurrent with the decision of the PLC on 31 July 1991. The outcome of those negotiations will be reflected in an addendum to the present document.

II. ACTION REQUIRED OF THE BOARD

4. The Board may wish to take note of the findings of the Project Liaison Committee in respect of the technical suitability and cost effectiveness of the EDP programme proposed by the consultants and take into consideration the recommendations contained therein when approving the revised programme and budgets, 1992-1993 (IDB.8/8/Rev.2-PBC.7/10/Rev.2).

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Annex I

OUTCOME OF THE PROJECT LIAISON COMMITTEE

Vienna, 31 July 1991

Dear Sir,

The Project Liaison Committee (PLC) met on July 31 1991 to consider further the options for the UNIDO EDP programme as requested in IDB.8/Dec.35, paragraphs (f), (g) and (h).

In the intervening period, the members of the PLC have discussed these options extensively. Touche Ross have now produced further appendices to their report elaborating these discussions and copies of the new Appendices (VII and VIII), together with a revised version of Appendix I, are attached.

Having considered these changes and additions, it is the unanimous conclusion of the Committee that:

- Option 1, proposed by Touche Ross in their Draft Final Report, is technically sound and the most suitable and cost-effective programme for computerization at UNIDO that can be recommended at this time;

- The negotiations, as reported to the Committee, conducted by the secretariat over five sessions with IBM, achieved a favourable financial outcome.

We therefore recommend that the secretariat adopt the programme proposed in the Touche Ross report.

Yours faithfully
Members of the Project Liaison Committee

(Signed)	(Signed)	(Signed)
John Greening	Bernard Adamczewski	Frederic Hassani
(Signed)	(Signed)	(Signed)
Bernard Lacrosse	Hernan Marin Guzman	Charles S. Warner

Mr. Domingo L. Siazon, Jr.
Director-General
United Nations Industrial Development
Organization
P. O. Box 300
A-1400 Vienna
Austria

Annex II

REPLY OF THE INDEPENDENT EXPERTS TO THE TASKS SET FOR THE PROJECT LIAISON COMMITTEE IN IDB.8/L.37*

31 July 1991

We have examined existing proposals and observations and have reviewed a revised draft report of the consultants (IDB.8/L.37,* paragraph G). Messrs. Dasgupta and Martinez, who were unable to attend our meeting, submitted written contributions. Their conclusions are in accord with ours. Mr. Hata confirmed by fax and phone that although unable to attend he also agreed with these conclusions.

In view of the additional information provided and new arguments put forward in appendix VII of the report of the Consultants [PBC.7/CRP.13/Add.2], we agree that the Touche Ross proposal is the most suitable and cost-effective one available to UNIDO at this time (IDB.8/L.37,* paragraph F). The extensive exchange of views and additional work undertaken by both ourselves and Touche Ross greatly strengthened our confidence in the validity of the Touche Ross proposal. Appendix VII also lays down additional plans previously not fully developed.

While we have not been involved in negotiations with IBM or other vendors and understand that we shall not be involved, we have been told that good results have already been obtained (IDB.8/L.37,* paragraph H).

(Signed)	(Signed)	(Signed)
B. Adamczewski	B. Lacrosse	F. Hassani

* Document IDB.8/L.37 was superseded by decision IDB.8/Dec.35 (GC.4/4).

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Programme and Budget Committee

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Vienna, 23 August 1991
Item 10 of the agenda

PROGRAMME AND BUDGETS, 1992-1993

Computerization programme of UNIDO

Progress report by the Director-General

Addendum

Summary

Describes the outcome of negotiations with the main supplier and the potential reductions in the cost of the electronic data-processing programme. Indicates in summary terms the impact on the rest of the programme and budget proposed for the biennium 1992-1993 and suggests a revised draft conclusion for consideration by the Programme and Budget Committee and subsequent adoption by the Industrial Development Board.

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Introduction

1. In keeping with paragraphs (h) and (i) of decision IDB.8/Dec.35 and as indicated in paragraph 3 of document IDB.8/50-PBC.7/19, the Secretariat carried out further negotiations with the main supplier.

2. The basis for those negotiations was the revised electronic data-processing (EDP) programme as proposed by the consultants and subsequently recommended by the Project Liaison Committee which stands as a fully integrated and balanced programme constituting a coherent and inseparable whole. The essential elements of the programme are presented in appendix V to the consultants' draft final report contained in PBC.7/CRP.13/Add.1. Furthermore, as pointed out in appendix VI to the draft final report of the consultants, the revised EDP programme as presented in document IDB.8/8/Rev.1 and Rev.2 contains the key actions initially recommended in the report of the independent group of experts (IDB.8/6-PBC.7/8).

I. POTENTIAL REDUCTIONS

3. In the consultants' draft final report (documents PBC.7/CRP.13, Add.1 and Add.2), the additional costs related to the mainframe (hardware, software, operation and maintenance, including facilities management) in the EDP programme for the biennium 1992-1993 were estimated at $5.8 million. Negotiations with the main supplier have demonstrated that those estimates can be further reduced by $1.13 million (i.e. $5.80 million minus $4.67 million) through the modification of existing agreements pertaining to the mainframe hardware and software, as well as its operation and maintenance which includes facilities management. Set against the cost of current contractual obligations, the full extent of the potential reductions in the biennium 1992-1993 can be seen to be of the order of $2.5 million (see table below). As recommended by the experts in their report (IDB.8/6-PBC.7/8) and by the consultants in appendix V to their draft final report (PBC.7/CRP.13/Add.1), some of these benefits must be retained for software portfolio renewal so as to ensure operational stability and the cost-effectiveness of the programme.

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Mainframe costs of EDP programme: 1992-1993

(In millions of dollars at 1 US$ = AS 12.90)

	Current contractual obligations	Revised programme a/ based on consultants' proposals	Negotiated cost	Potential reductions (1 - 3)
	(1)	(2)	(3)	(4)
Mainframe				
Hardware	2.77	1.85	1.58	1.19
Software	1.65	1.67	0.98	0.67
Operation and maintenance	2.76	2.28	2.11	0.65
Total	7.18	5.80	4.67	2.51

a/ Contained in document IDB.8/8/Rev.1-PBC.7/10/Rev.1.

4. The modifications proposed are consistent with the consultants' recommendations and the conclusions reached by the independent experts. They will enable UNIDO to safeguard the technical soundness and continued viability of the revised programme, while ensuring increased cost-effectiveness.

5. The proposed modifications described above and the associated cost reductions can only be realized and confirmed to the main supplier once they have been agreed to by Member States. These modifications would enter into effect through a contract amendment process that has to be completed by 31 August 1991.

6. The possibility of realizing similar benefits for the biennium 1994-1995 also exists through the process of competitive bidding and negotiation for such items and services as facilities management, operation and maintenance of mainframe, office automation and network. Appendix V to the consultants' draft final report (PBC.7/CRP.13/Add.1) forecasts prospective savings of the order of $6 million for the period 1992-1995. That amount would include the figure of $2.5 million mentioned in paragraph 3 above. Furthermore, for the biennium 1994-1995, some of those benefits will have to be retained so as to implement the EDP programme recommended by the consultants and experts and endorsed by the Project Liaison Committee. However, realization of the prospective savings is contingent upon negotiations with other suppliers that are in process at present and relate to other elements of the EDP programme. These latter negotiations can only be effectively completed once the EDP programme has been approved by Member States.

II. RESULTANT CHANGES IN THE EDP PROGRAMME

7. In the event that Member States concur with the contract amendment process, the resultant changes in the paragraphs in IDB.8/8/Rev.2 describing the proposed EDP programme would be as contained in annex I to the present document.

III. OTHER CHANGES

8. If the proposed modifications are accepted, the programme and budget estimates for the biennium 1992-1993 will have to change as a result of the changes in the EDP programme indicated above.

9. The total gross appropriations will have to be reduced in both the regular (RB) and operational (OB) budgets. It is proposed to retain the same ratio of expenditures as in the original proposal between the regular and operational budget portion of the EDP non-staff costs, i.e. 68 per cent (RB) and 32 per cent (OB). Thus, the regular budget will be reduced by $866,400 at 1992-1993 rates ($771,100 + $43,400 inflation related to EDP reductions plus $49,200 + $2,700 inflation related to a corresponding adjustment to the regular programme of technical cooperation) and the operational budget by $379,000 at 1992-1993 rates ($358,900 + $20,100 inflation related to EDP reductions). Compared to the biennium 1990-1991, this represents negative growth of 0.5 per cent in the regular budget. This will also entail adjustments to the level of Member States' assessed contributions, as well as to the resource requirements of all major programmes.

10. With the adoption of the revised EDP programme recommended by the consultants and experts and endorsed by the Project Liaison Committee, firm assurances can be given that no extraordinary expenditures will be incurred beyond those authorized. Furthermore, the Secretariat will keep Member States fully apprised of the implementation of the EDP programme through periodic briefings and information notes.

IV. REVISED DRAFT CONCLUSION

11. Should the Programme and Budget Committee accept the modifications, it may wish to consider the revised draft conclusion contained in annex II to the present document on the understanding that the Secretariat would make the necessary consequential changes in the revised budget for submission to the General Conference.

Annex I

REVISED DESCRIPTION OF PROPOSED EDP PROGRAMME

(Paragraph numbers refer to those in IDB.8/8/Rev.2)

121. Pursuant to the request of the Board contained in IDB.8/Dec.35, paragraph (e), EDP costs have been consolidated by including training ($286,500) and supplies and materials ($479,100) which were previously presented under subprogrammes 811 and 845. The resource requirements for the EDP programme, including the staff costs of the Management Information Services Division, for the 1992-1993 biennium are estimated at $12,322,800. These requirements are presented net of income in the summary table below:

EDP net resource requirements, 1990-1991 and 1992-1993

(In thousands of dollars at 1991 rates)

Major object of expenditure	1990-1991 RB	1990-1991 OB	1990-1991 TOTAL	1992-1993 RB	1992-1993 OB	1992-1993 TOTAL
Staff costs	1,970.0	877.2	2,847.2	1,970.0	2,007.8	3,977.8
EDP non-staff costs	3,795.2	374.0	4,169.2	5,694.5	2,650.5	8,345.0
Total expenditures	5,765.2	1,251.2	7,016.4	7,664.5	4,658.3	12,322.8

122. A listing of resource requirements for the EDP programme for the biennium 1992-1993 are shown below, together with a projection of comparable requirements for the biennium 1994-1995:

Resource requirements - EDP programme

(In thousands of dollars at 1991 rates)

	1992-1993		1994-1995	
A. Established posts (ongoing) a/	2,847.2		2,847.2	
B. Conversion of ad hoc posts				
4 P-3 posts	626.4		626.4	
1 P-2 post	121.8		243.6	
4 GS posts	382.4		478.0	
Subtotal		1,130.6		1,348.0
C. EDP non-staff costs				
Mainframe				
Hardware	1,580.0		2,870.0	
Software	980.0		1,820.0	
Operation and maintenance	2,110.0		2,530.0	
		4,670.0		7,220.0
Office Automation				
Hardware	920.0		540.0	
Software	150.0		120.0	
Maintenance	640.0		470.0	
		1,710.0		1,130.0
Other				
Supplies and materials	479.1		470.0	
Network	410.0		520.0	
External computer costs (ICC)	70.0		70.0	
Training	286.5		280.0	
Consultancy support b/	829.4		260.0	
Software development	230.0		-	
Income	(340.0)		(340.0)	
		1,965.0		1,260.0
Subtotal		8,345.0		9,610.0
D. TOTAL		12,322.8		13,805.2

a/ In the interests of transparency, staff assigned to the end-user Departments as user coordinators in line with the recommendations of the consultants are costed as follows: 1 P-4 ($187,200), 2 P-3 ($323,000) and 1 G-7 ($102,100). The staff so assigned are mainly performing duties related to the work of their respective Departments/Divisions, hence their non-inclusion in the overall resource requirements of the EDP programme. Furthermore, a D-1 level post costed at $226,800 will be redeployed to the MIS Division at a later juncture.

b/ An amount of $109,400 included under consultancy support may be required for short-term staffing in 1992-1993 as envisaged by the consultants for specific technical assignments in support of systems maintenance and development.

Cost distribution

123. As the EDP programme provides essential services to all parts of the Organization, its costs and benefits are shared accordingly by the end users. Using the criteria of mainframe computer time usage and distribution of desktop equipment, the overall non-staff costs of the EDP programme for the biennium are apportioned among the various major programmes. All EDP-related staff costs are being shown under programme 850, Management Information Services Division, until such time as a viable chargeback system covering staff resources is adopted. The development of that chargeback system will draw on the experience of other agencies in the United Nations system, as well as on the comments submitted by the team of external auditors. New object of expenditure codes specifically designed for the EDP programme have been introduced to facilitate understanding and analysis of the various cost components while offering a global view of the programme's overall resource requirements. The distribution of the EDP-related non-staff costs among the major end users is shown below. The share of Administration in total EDP costs includes significant technical co-operation support activities such as Financial Management Technical Co-operation, Payments and Accounts, and Purchase and Contracts.

Distribution of EDP - non-staff costs

Major programme	Share (per cent)	Amount (dollars)
General Management (200)	0.8	67,200
Programme and Project Development (300)	19.4	1,629,300
Industrial Promotion, Consultations and Technology (400)	6.3	529,100
Industrial Operations (500)	22.0	1,847,700
External Relations, Public Information, Languages and Documentation Services (700)	8.0	671,900
Administration (800)	43.5	3,653,300
Subtotal	100.0	8,398,500
Non-shared Administration		
Training		286,500
Income		(340,000)
TOTAL		8,345,000

Annex II

REVISED DRAFT CONCLUSION

The Programme and Budget Committee, having considered the revised proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2-PBC.7/10/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1), recommends to the Industrial Development Board the adoption of the following draft decision:

The Industrial Development Board:

(a) Examined the proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1) together with the recommendations of the Programme and Budget Committee (PBC conclusion ....);

(b) Decides to adopt for submission to the General Conference for consideration and approval the proposed programme of work and corresponding estimates for the activities to be financed from the regular and operational budgets, 1992-1993 contained in document IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1;

(c) Recommends to the General Conference that it appropriate on the basis of an exchange rate of US$1 = AS 12.90 a total amount of $178,440,900 for the regular budget of the Organization in 1992-1993 as follows:

	US dollars
Policy-making Organs	2,543,000
General Management	6,001,100
Programme and Project Development	32,387,000
Industrial Promotion, Consultations and Technology	16,895,500
Industrial Operations	34,569,800
Common Programmes	15,632,000
External Relations, Public Information, Language and Documentation Services	23,206,400
Administration	47,206,100
TOTAL GROSS APPROPRIATIONS	178,440,900 1/

the amounts in the appropriations to be adjusted in accordance with the adjustment formula presented at the end of the present decision, to take into account the exchange rate variations during the biennium;

(d) Recommends that the vacancy factor for Professional posts be adjusted and the appropriations revised accordingly in the event that any State announces its intention to join the Organization and is included in the scale of assessments for the fiscal period 1992-1993 adopted by the General Conference;

(e) Recommends that the foregoing appropriations be financed from:

(i) Payments of contributions by Member States, under the provision of financial regulation 5.5 (e), amounting to $176,690,300 at an exchange rate of US$1 = AS 12.90 ($19,435,900 plus the equivalent in US dollars of AS 2,028,581,760), in accordance with decisions to be adopted by the General Conference at its fourth session concerning the scale of assessments; and

(ii) Estimated miscellaneous income amounting to $1,750,600 at an exchange rate of US$1 = AS 12.90 (representing $1,325,400 plus the equivalent in US dollars of AS 5,485,080);

(f) Also recommends to the General Conference that it approve estimates of expenditure totalling $50,796,300 (calculated at the exchange rate of US$1 = AS 12.90) for the purpose of the operational budget for the biennium 1992-1993 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations.

1/ Assumes ratio of expenditures of 11 per cent in United States dollars and 89 per cent in Austrian schillings at an exchange rate of US$1 = AS 12.90, in accordance with financial regulation 5.1 (d). This ratio will also be applied to the appropriation for technical co-operation.

Budgetary estimates may be subject to revision owing to changes in inflation assumptions.

Adjustment formula in US dollars

	US$		AS
Policy-making Organs	443,000	+ (	27,090,000 /R)
General Management	746,000	+ (	67,491,500 /R)
Programme and Project Development	3,841,100	+ (	368,200,100 /R)
Industrial Promotion, Consultations and Technology	2,395,100	+ (	186,633,300 /R)
Industrial Operations	3,714,900	+ (	398,121,300 /R)
Common Programmes	2,538,200	+ (	168,577,900 /R)
External Relations, Public Information, Language and Documentation Services	2,335,200	+ (	267,118,900 /R)
Administration	3,422,400	+ (	545,348,760 /R)
TOTAL NET APPROPRIATIONS	19,435,900	+ (	2,028,581,760 /R)

Note: R is the average United Nations exchange rate for Austrian schilling to US dollar, which will be experienced during 1992-1993.

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PROGRAMME AND BUDGETS, 1992-1993

Computerization programme of UNIDO

Progress report by the Director-General

Addendum

Summary

Provides further information on the total costs of the computerization programme of UNIDO and amends the draft conclusion contained in annex II of document IDB.8/50/Add.1-PBC.7/19/Add.1.

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Introduction

1. The present document provides further clarification on the electronic data-processing (EDP) programme with regard to payments already made, current and future contractual obligations and the estimated total cost of the programme up to 1995. It also corrects some rounding adjustments in the estimates contained in the revised draft conclusion in annex II of IDB.8/50/Add.1-PBC.7/19/Add.1. The corrected version is attached as an annex to the present document.

I. OVERVIEW OF COSTS

2. The table below provides an overview of the costs of the EDP programme based on three scenarios: the original programme as presented in document IDB.7/31; the proposal as recommended by the consultants and presented in documents PBC.7/CRP.13, Add.1 and Add.2; and the revised cost estimates of the programme reflecting negotiations with the main supplier as contained in IDB.8/50/Add.1-PBC.7/19/Add.1.

3. As shown in the following table, expenditures on the EDP programme, excluding established posts, are expected under all three scenarios to amount to $19.84 million for the period 1989 to the end of 1991. The remaining costs for the period 1992-1995 would have amounted to close on $27.2 million for the original programme and to $23.8 million for the consultants' projected expenditures. Renegotiations with the main supplier, however, have revealed further potential cost reductions. Together with other adjustments in both staff and non-staff costs, these changes would result in remaining programme costs

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Comparison of EDP costs based on three scenarios

(In millions of dollars at an exchange rate of US$1.00 = AS 12.90)

	Original programme a/	Consultants' proposal b/	Revised programme c/
Non-staff expenditures			
1989-1991	19.84	19.84	19.84
Costs 1992-1993			
Additional staff costs	1.65	1.96	1.13 d/
Non-staff costs	11.58	10.07	8.34
Subtotal	13.23	12.03	9.47
Costs 1994-1995			
Additional staff costs	1.65	2.08	1.35 d/
Non-staff costs	9.16	9.69	9.61 e/
Subtotal	10.81	11.77	10.96
Subtotal	43.88	43.64	40.27
Established posts f/			
1992-1993	2.85	2.85	2.85
1994-1995	2.85	2.85	2.85
Additional costs estimated by consultants	3.22 g/	-	-
TOTAL	52.80	49.34	45.97

a/ IDB.7/31, table 5.

b/ PBC.7/CRP.13/Add.1.

c/ Incorporates results of negotiations with the main supplier as described in IDB.8/50/Add.1-PBC.7/19/Add.1 and paras. 4 to 6 below.

d/ Does not include a D-1 post which will be redeployed to the Management Information Systems Division at a later juncture, the biennial cost for which is $226,800.

e/ Depending on UNIDO's ability to exercise its buy-out option in 1994, this figure could be reduced by $470,000.

f/ These costs have been included pursuant to decision IDB.8/Dec.35.

g/ PBC.7/CRP.13, para. 9.1.

of $20.43 million. To these amounts should be added the costs of established posts ($5.7 million) which, prior to the adoption of decision IDB.8/Dec.35, had been excluded from the costing exercise.

II. BIENNIUM 1992-1993

4. For the biennium 1992-1993, the consultants believed that the non-staff costs could be reduced to $10.07 million from $11.58 million originally estimated. As explained in document IDB.8/50/Add.1-PBC.7/19/Add.1, the consultants' estimate included $5.8 million for contracts with the main supplier relating to mainframe operations, hardware, software, operations and maintenance. Those contracts have since been renegotiated with the main supplier for a total cost of $4.67 million. Subject to the acceptance of the revised programme, the renegotiated contracts would yield a potential cost reduction for 1992-1993 of $1.13 million compared to the consultants' estimates. When taking into account all expenditures envisaged under non-staff costs, the revised estimates are lower by $1.73 million when compared to the programme proposed by the consultants. This difference of $1.73 million can be accounted for as follows:

	$ million	$ million
Consultants' proposal: Non-staff costs		10.07
Adjustments		
Renegotiation of contracts with main supplier	(1.13)	
Rephasing of consultants, external support and networking costs	(0.27)	
Income estimates	(0.34)	
Training and supplies	0.01	
Subtotal		(1.73)
Revised programme: Non-staff costs for 1992-1993		8.34

5. The modifications negotiated with the main supplier relate to: the termination of the licence agreement for some IBM software at the end of December 1991; rescheduling and downward adjustment of monthly payments pertaining to the agreement on systems integration; a new mix of software for the mainframe; a reduction in the scope of services to be provided under facilities management; and the merger of the contract relating to the systems service agreement with the facilities management contract.

III. BIENNIUM 1994-1995

6. The same negotiations with the main supplier will also have an impact on the biennium 1994-1995, primarily in the area of the mainframe and its operating software. The extent of the impact will depend on whether UNIDO decides to continue the lease or exercise its buy-out option for the existing mainframe. Furthermore, as mentioned in paragraph 6 of document IDB.8/50/Add.1-PBC.7/19/Add.1, the possibility exists of realizing further cost reductions through the process of competitive bidding and negotiations with all suppliers.

7. In both bienniums, the consultants recommended the establishment of additional posts to support the EDP programme. The Secretariat adopted that recommendation, but took a different approach. Instead of establishing new posts (4 P-2s and 1 D-1), it decided to assign staff in the end-user Departments to carry out EDP-related tasks as well as to redeploy, at a later juncture, a vacant D-1 post. This accounts for the difference between the additional staff costs recommended by the consultants and those described by the Secretariat in the revised programme.

8. Despite the inherent difficulties associated with forecasting the price of services, hardware and software that are likely to prevail in the biennium after next, the Secretariat, supported by expert advice, is confident that the renegotiated package offers a viable basis on which to proceed. It should be regarded as an expenditure ceiling for an effective computerization programme.

IV. CORRECTED DRAFT CONCLUSION

9. Should the Programme and Budget Committee accept the modifications, it may wish to consider the corrected draft conclusion contained in the annex to the present document on the understanding that the Secretariat would make the necessary consequential changes in the revised budget for submission to the General Conference.

Annex

CORRECTED DRAFT CONCLUSION

The Programme and Budget Committee, having considered the revised proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2-PBC.7/10/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1), recommends to the Industrial Development Board the adoption of the following draft decision:

The Industrial Development Board:

(a) Examined the proposals of the Director-General for the programme and budgets, 1992-1993 (IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1) together with the recommendations of the Programme and Budget Committee (PBC conclusion ....);

(b) Decides to adopt for submission to the General Conference for consideration and approval the proposed programme of work and corresponding estimates for the activities to be financed from the regular and operational budgets, 1992-1993 contained in document IDB.8/8/Rev.2 and relevant sections of IDB.8/8/Rev.1-PBC.7/10/Rev.1, as well as IDB.8/50/Add.1-PBC.7/19/Add.1;

(c) Recommends to the General Conference that it appropriate on the basis of an exchange rate of US$1 = AS 12.90 a total amount of $178,440,300 for the regular budget of the Organization in 1992-1993 as follows:

	US dollars
Policy-making Organs	2,543,000
General Management	6,001,100
Programme and Project Development	32,386,900
Industrial Promotion, Consultations and Technology	16,895,400
Industrial Operations	34,569,700
Common Programmes	15,631,800
External Relations, Public Information, Language and Documentation Services	23,206,400
Administration	47,206,000
TOTAL GROSS APPROPRIATIONS	178,440,300 1/

the amounts in the appropriations to be adjusted in accordance with the adjustment formula presented at the end of the present decision, to take into account the exchange rate variations during the biennium;

(d) Recommends that the vacancy factor for Professional posts be adjusted and the appropriations revised accordingly in the event that any State announces its intention to join the Organization and is included in the scale of assessments for the fiscal period 1992-1993 adopted by the General Conference;

(e) Recommends that the foregoing appropriations be financed from:

(i) Payments of contributions by Member States, under the provision of financial regulation 5.5 (e), amounting to $176,689,700 at an exchange rate of US$1 = AS 12.90 ($19,435,900 plus the equivalent in US dollars of AS 2,028,574,020), in accordance with decisions to be adopted by the General Conference at its fourth session concerning the scale of assessments; and

(ii) Estimated miscellaneous income amounting to $1,750,600 at an exchange rate of US$1 = AS 12.90 (representing $1,325,400 plus the equivalent in US dollars of AS 5,485,080);

(f) Also recommends to the General Conference that it approve estimates of expenditure totalling $50,795,900 (calculated at the exchange rate of US$1 = AS 12.90) for the purpose of the operational budget for the biennium 1992-1993 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations.

1/ Assumes ratio of expenditures of 11 per cent in United States dollars and 89 per cent in Austrian schillings at an exchange rate of US$1 = AS 12.90, in accordance with financial regulation 5.1 (d). This ratio will also be applied to the appropriation for technical co-operation.

Budgetary estimates may be subject to revision owing to changes in inflation assumptions.

Adjustment formula in US dollars

	US$		AS
Policy-making Organs	443,000	+ (	27,090,000 /R)
General Management	746,000	+ (	67,491,500 /R)
Programme and Project Development	3,841,100	+ (	368,198,810 /R)
Industrial Promotion, Consultations and Technology	2,395,100	+ (	186,632,010 /R)
Industrial Operations	3,714,900	+ (	398,120,010 /R)
Common Programmes	2,538,200	+ (	168,575,320 /R)
External Relations, Public Information, Language and Documentation Services	2,335,200	+ (	267,118,900 /R)
Administration	3,422,400	+ (	545,347,470 /R)
TOTAL NET APPROPRIATIONS	19,435,900	+ (	2,028,574,020 /R)

Note: R is the average United Nations exchange rate for Austrian schilling to US dollar, which will be experienced during 1992-1993.

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IDB.8/51
PBC.7/20
21 August 1991

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board
Resumed eighth session
Vienna, 23 August 1991
Item 11 (e) of the agenda
Programme and Budget Committee
Resumed seventh session (continued)
Vienna, 23 August 1991
Item 10 of the agenda

PROGRAMME AND BUDGETS, 1992-1993

Renewal of membership of Australia

Note by the Director-General

1. The Director-General has been informed by the Government of Australia that Australia intends to renew its membership in UNIDO as of 1 January 1992. The text of a letter to that effect dated 21 August 1991 from the Permanent Mission of Australia to the United Nations, Vienna, is attached as annex I to the present document.

2. As reflected in document IDB.8/8/Rev.1-PBC.7/10/Rev.1, the proposed programme and budget estimates for 1992-1993 were prepared maintaining a 9 per cent vacancy factor for regular budget Professional-level posts, which was introduced in the 1990-1991 budget to offset the loss of contributions income resulting from the withdrawal of Australia as a Member State of UNIDO for that biennium (cf. General Conference decision GC.3/Dec.23, para. (e)).

3. The present note constitutes a proposal by the Director-General for a revised budgetary estimate for the 1992-1993 biennium that takes into account the restoration of the vacancy factor to the standard rate of 5 per cent, based on the assumption that Australia will resume its membership as of 1 January 1992.

4. Annex II to the present document contains a draft conclusion to reflect the changes to the proposed regular budget estimates resulting from the change in the vacancy factor and the inclusion of Australia as a Member State in 1992. Included in annex II is a scale of assessments based on the current membership of UNIDO as well as Australia.

Annexes

I. Letter from the Permanent Mission of Australia to the United Nations, Vienna

II. Draft conclusion

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Annex I

PERMANENT MISSION OF AUSTRALIA
TO THE UNITED NATIONS
VIENNA

21 August 1991

Mr. D. L. Siazon Jr
Director-General
United Nations Industrial
Development Organization
Room D2265
Vienna International Centre

Dear Mr. Siazon

I write to advise that on the 20th of August 1991 the Australian Government announced its intention to resume its membership of the United Nations Industrial Development Organization from the 1st of January 1992.

Formal notification of Australia's intentions will be announced at the resumed sessions of the Programme and Budget Committee and the Industrial Development Board on the 23 August 1991.

Yours sincerely,

(Signed) E.A. Schick
Acting Permanent
Representative

Annex II

DRAFT CONCLUSION

The Programme and Budget Committee recommends to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Notes the intention of the Government of Australia to renew Australia's membership in UNIDO as of 1 January 1992;

"(b) Recalls that, in accordance with financial regulation 5.6, new Members shall be required to make a contribution to the regular budget for the year in which they become Members and to provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Conference;

"(c) Adopts and recommends to the General Conference that it approve the following adjustments to the regular budget for 1992-1993 as adopted in decision [IDB.8/Dec...], which shall take effect upon Australia becoming a Member of UNIDO in 1992;

(i) The vacancy factor rate for Professional-level posts shall be reduced from 9 per cent to the standard vacancy factor rate of 5 per cent;

(ii) The total gross appropriation shall be adjusted accordingly from $178,440,300 to $181,776,700 as follows:

	US dollars
Policy-making Organs	2,543,000
General Management	6,139,300
Programme and Project Development	33,189,700
Industrial Promotion, Consultations and Technology	17,322,800
Industrial Operations	35,560,000
Common Programmes	15,832,100
External Relations, Public Information, Language and Documentation Services	23,682,500
Administration	47,507,300
TOTAL GROSS APPROPRIATIONS	181,776,700

the amounts in the appropriations to be adjusted in accordance with the adjustment formula presented at the end of the present decision, to take into account the exchange rate variations during the biennium;

"(d) Approves and recommends to the General Conference that it approve that the foregoing appropriations be financed from:

(i) Payments of contributions by Member States, under the provision of financial regulation 5.5(e), amounting to $180,026,100 at an exchange rate of US$1 = AS 12.90 ($19,802,900 plus the equivalent in US dollars of AS 2,066,879,280), in accordance with the scale of assessments adjusted to take into account the membership of Australia, as shown in the following annex;

(ii) Estimated miscellaneous income amounting to $1,750,600 at an exchange rate of US$1 = AS 12.90 (representing $1,325,400 plus the equivalent in US dollars of AS 5,485,080).

Adjustment formula in US dollars

	US$		AS	
Policy-making Organs	443,100	+ (	27,088,710	/R)
General Management	763,600	+ (	69,346,530	/R)
Programme and Project Development	3,923,900	+ (	377,528,820	/R)
Industrial Promotion, Consultations and Technology	2,449,300	+ (	191,868,150	/R)
Industrial Operations	3,793,600	+ (	409,786,560	/R)
Common Programmes	2,559,000	+ (	171,222,990	/R)
External Relations, Public Information, Language and Documentation Services	2,387,900	+ (	273,218,130	/R)
Administration	3,482,500	+ (	546,819,390	/R)
TOTAL NET APPROPRIATIONS	19,802,900	+	(2,066,879,280	/R)

Note: R is the average United Nations exchange rate for Austrian schilling to US dollar, which will be experienced during 1992-1993."

Annex

SCALE OF ASSESSMENTS FOR 1992 AND 1993
(Percentage)

States	UNITED NATIONS		UNIDO
	Rates for Member States a/ (1)	Rates for non-Member States b/ (2)	Rates for Member States: (1) or (2) multiplied by co-efficient 0.991058 c/ (3)
Afghanistan	0.01		0.01
Albania	0.01		0.01
Algeria	0.15		0.15
Angola	0.01		0.01
Argentina	0.66		0.65
Australia	1.57		1.55
Austria	0.74		0.73
Bahamas	0.02		0.02
Bahrain	0.02		0.02
Bangladesh	0.01		0.01
Barbados	0.01		0.01
Belgium	1.17		1.16
Belize	0.01		0.01
Benin	0.01		0.01
Bhutan	0.01		0.01
Bolivia	0.01		0.01
Botswana	0.01		0.01
Brazil	1.45		1.44
Bulgaria	0.15		0.15
Burkino Faso	0.01		0.01
Burundi	0.01		0.01
Byelorussian Soviet Socialist Republic	0.33		0.33
Cameroon	0.01		0.01
Canada	3.09		3.06
Cape Verde	0.01		0.01
Central African Republic	0.01		0.01
Chile	0.08		0.08
China	0.79		0.78
Colombia	0.14		0.14
Comoros	0.01		0.01
Congo	0.01		0.01
Costa Rica	0.02		0.02
Côte d'Ivoire	0.02		0.02
Cuba	0.09		0.09
Cyprus	0.02		0.02
Czechoslovakia	0.66		0.65
Democratic People's Republic of Korea		0.05	0.05
Denmark	0.69		0.68
Dominica	0.01		0.01
Dominican Republic	0.03		0.03
Ecuador	0.03		0.03
Egypt	0.07		0.07
El Salvador	0.01		0.01
Equatorial Guinea	0.01		0.01
Ethiopia	0.01		0.01
Fiji	0.01		0.01
Finland	0.51		0.51
France	6.25		6.19

Gabon	0.03	0.03
Gambia	0.01	0.01
Germany	9.36	9.28
Ghana	0.01	0.01
Greece	0.40	0.40
Grenada	0.01	0.01
Guatemala	0.02	0.02
Guinea	0.01	0.01
Guinea-Bissau	0.01	0.01
Guyana	0.01	0.01
Haiti	0.01	0.01
Honduras	0.01	0.01
Hungary	0.21	0.21
India	0.37	0.37
Indonesia	0.15	0.15
Iran (Islamic Republic of)	0.69	0.68
Iraq	0.12	0.12
Ireland	0.18	0.18
Israel	0.21	0.21
Italy	3.99	3.95
Jamaica	0.01	0.01
Japan	11.38	11.28
Jordan	0.01	0.01
Kenya	0.01	0.01
Kuwait	0.29	0.29
Lao People's Democratic Republic	0.01	0.01
Lebanon	0.01	0.01
Lesotho	0.01	0.01
Liberia	0.01	0.01
Libyan Arab Jamahiriya	0.28	0.28
Luxembourg	0.06	0.06
Madagascar	0.01	0.01
Malawi	0.01	0.01
Malaysia	0.11	0.11
Maldives	0.01	0.01
Mali	0.01	0.01
Malta	0.01	0.01
Mauritania	0.01	0.01
Mauritius	0.01	0.01
Mexico	0.94	0.93
Mongolia	0.01	0.01
Morocco	0.04	0.04
Mozambique	0.01	0.01
Myanmar	0.01	0.01
Namibia	0.01	0.01
Nepal	0.01	0.01
Netherlands	1.65	1.63
New Zealand	0.24	0.24
Nicaragua	0.01	0.01
Niger	0.01	0.01
Nigeria	0.20	0.20
Norway	0.55	0.54
Oman	0.02	0.02
Pakistan	0.06	0.06
Panama	0.02	0.02
Papua New Guinea	0.01	0.01
Paraguay	0.03	0.03
Peru	0.06	0.06
Philippines	0.09	0.09
Poland	0.56	0.55
Portugal	0.18	0.18

Republic of Korea		0.22	0.22
Romania	0.19		0.19
Rwanda	0.01		0.01
Saint Kitts and Nevis	0.01		0.01
Saint Lucia	0.01		0.01
Saint Vincent and the Grenadines	0.01		0.01
Sao Tome and Principe	0.01		0.01
Saudi Arabia	1.02		1.01
Senegal	0.01		0.01
Seychelles	0.01		0.01
Sierra Leone	0.01		0.01
Somalia	0.01		0.01
Spain	1.95		1.93
Sri Lanka	0.01		0.01
Sudan	0.01		0.01
Suriname	0.01		0.01
Swaziland	0.01		0.01
Sweden	1.21		1.20
Switzerland		1.08	1.07
Syrian Arab Republic	0.04		0.04
Thailand	0.10		0.10
Togo	0.01		0.01
Tonga		0.01	0.01
Trinidad and Tobago	0.05		0.05
Tunisia	0.03		0.03
Turkey	0.32		0.32
Uganda	0.01		0.01
Ukrainian Soviet Socialist Republic	1.25		1.24
Union of Soviet Socialist Republics	9.99		9.90
United Arab Emirates	0.19		0.19
United Kingdom of Great Britain and Northern Ireland	4.86		4.82
United Republic of Tanzania	0.01		0.01
United States of America	25.00		25.00
Uruguay	0.04		0.04
Vanuatu	0.01		0.01
Venezuela	0.57		0.56
Viet Nam	0.01		0.01
Yemen	0.01		0.01
Yugoslavia	0.46		0.45
Zaire	0.01		0.01
Zambia	0.01		0.01
Zimbabwe	0.02	-	0.02
Total	99.31	1.36	100.00

a/ Temporarily based on General Assembly resolution 43/223 A, para. 1; column (1) covers Member States of the United Nations that are members of UNIDO as at 20 August 1991. Australia is also included on the assumption of renewed membership effective 1992.

b/ Temporarily based on General Assembly resolution 43/223 A, para. 3; column (2) of the present annex covers non-Member States of the United Nations that are Members of UNIDO as at 20 August 1991.

c/ Coefficient is not applied to Member States with assessment rates of 0.01% or 25.00%.